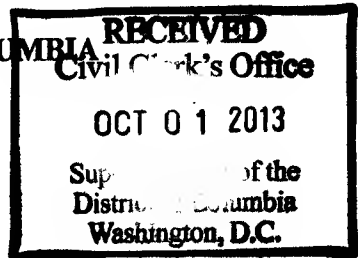


IN THE SUPERIOR COURT FOR THE DISTRICT OF COLUMBIA
CIVIL DIVISION



DISTRICT OF COLUMBIA,
a municipal corporation,
441 Fourth Street, N.W.
Washington, D.C. 20001,

Plaintiff,

v.

OPTIONS PUBLIC CHARTER SCHOOL
a District of Columbia nonprofit corporation,
1375 E Street, N.E.
Washington, D.C. 20002,

EXCEPTIONAL EDUCATION
MANAGEMENT CORPORATION
a Delaware corporation,
601 13th Street, N.W.
Washington, D.C. 20005,

EXCEPTIONAL EDUCATIONAL
SERVICES AT OPTIONS PUBLIC
CHARTER SCHOOL, INC.
a Delaware corporation,
601 13th Street, N.W.
Washington, D.C. 20005,

DR. DAVID CRANFORD
601 13th Street, N.W.
Washington, D.C. 20005,

PAUL S. DALTON
601 13th Street, N.W.
Washington, D.C. 20005,

Dr. J.C. HAYWARD
2208 Parallel Lane
Silver Spring, MD 20904,

Civil Action No.

13 - 0006644

COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE RELIEF,
INCLUDING A RECEIVERSHIP,
PURSUANT TO NONPROFIT
CORPORATION ACT

DR. DONNA D. MONTGOMERY,
601 13th Street, N.W.
Washington, D.C. 20005,

JEREMY L. WILLIAMS
601 13th Street, N.W.
Washington, D.C. 20005

Defendants.

Plaintiff, the District of Columbia (the "District"), by its Attorney General, brings this action pursuant to the Attorney General's authority under D.C. Code § 29-412.20(a)(1), to obtain a receivership and other equitable relief for a nonprofit public charter school whose management has caused it to abuse its lawful authority and to continue to act contrary to its nonprofit purposes, to the detriment of its students, in order to benefit and enrich former executives of the school, including by generating revenue for two for-profit corporations formed and controlled by its recently-departed executives while they were still employed by the school. In support hereof, the District alleges as follows:

1. Options Public Charter School ("Options PCS") is a corporation organized exclusively for nonprofit purposes, including "to establish, develop and operate a model Public Charter School for at-risk youth in Washington, D.C." During 2012-2013, the individual Defendants in this lawsuit, as officers, directors, or managers of Options PCS, operated the corporation, not for the purpose of maximizing benefits for at-risk youth, but for the purpose of maximizing income, revenue, and profits for at least three of its executives and the two for-profit corporations they control: Defendant Exceptional Education Management Corporation ("EEMC") and Defendant Exceptional Education Service, Inc. at Options Public Charter School, Inc. ("EES").

2. The public charter school operated by Options PCS serves many students with disabilities. Most of Options PCS's revenue is per-pupil District public school funding based on these students' disability levels. Generally, a school determines the disability levels of its own students. In December 2012, due primarily to a dramatic projected increase in the proportion of its students whose disability levels would generate much higher-than-average per-pupil revenue, Options PCS projected that its revenue from the District public school funding would grow from \$11.1 million in the 2011-2012 school year to \$13.9 million in the 2012-2013 school year, an increase of \$2.8 million.

3. About two months later, in February 2013, Options PCS contracted to pay the same amount as the projected increase in District public school funding – \$2.8 million – for management services to be provided by EEMC, a for-profit company controlled and run by the three individuals who were serving simultaneously as Options PCS's (i) president and/or CEO (Defendant Dr. Donna D. Montgomery, who created EEMC), (ii) clinical director and/or chief operating officer (Defendant Dr. David Cranford), and (iii) general counsel and/or provost (Defendant Paul S. Dalton). By July 2013, these three executives had resigned from Options PCS and were serving as the management team of EEMC and EES.

4. The \$2.8 million management services contract was the culmination of a pattern of self-dealing by Options PCS executives, substantially assisted by the chair of Options PCS's board, including a series of large, unjustifiable payments by Options PCS that improperly enriched at least three of its executives and the for-profit corporations they control. Among other things, Options PCS (i) made a \$159,000 loan to EES; (ii) paid about \$449,000 to EES for Medicaid billing services being provided by Options PCS's own employees; (iii) paid EES a total of \$981,250 for student transportation services during the 2012-2013 school year, more than

ten times what Options PCS paid directly to EES's subcontractor for transportation services the year before; (iv) paid at least \$242,816 towards the start-up costs of EEMC; (v) paid exorbitant and unscheduled bonuses to three of Options PCS's managers shortly before they left Options PCS to become managers of EEMC; and (vi) granted a management services contract to EEMC on a sole source basis and, prior to receiving any documentation of the services that EEMC purportedly provided to Options PCS, paid EEMC a total of \$1.45 million. In sum, since 2012, Options PCS – whose projected total revenue for the 2012-2013 school year was \$13.5 million, about 90% of which is funded by the District – has made more than \$3 million in improper payments to individuals and corporations named as defendants in this case, and, under the management services contract, is scheduled to pay EEMC another \$1.8 million.

5. Through these acts and others, Options PCS has continued to act contrary to its nonprofit purposes, and has continued to exceed or abuse the authority conferred upon it by law. To rededicate Options PCS to its nonprofit purpose of serving at-risk youth, and to recover funds diverted to its former managers and the corporations they control, the District seeks injunctive and equitable relief, including, but not limited to, the appointment of a receiver for Options PCS, an order halting further payments by Options PSC to any of the Defendants, and the imposition of a constructive trust over funds that Options PSC improperly paid to any Defendant.

Jurisdiction

6. The Court has jurisdiction over the subject matter of this case pursuant to D.C. Official Code § 11-921(a)(6) and D.C. Official Code §§ 29-412.20(a), 29-412.21(b), and 29-412.22. The Court has personal jurisdiction over Defendants pursuant to D.C. Official Code § 13-422.

Parties

7. The District, a municipal corporation empowered to sue and be sued, is the local government for the territory constituting the permanent seat of the government of the United States. The District brings this action, through its Attorney General, pursuant to D.C. Official Code § 29-412.20(a)(1).

8. Defendant Options Public Charter School ("Options PCS") is a District of Columbia nonprofit corporation organized and to "be operated exclusively for charitable, educational, religious and scientific purposes . . . including, more specifically: (a) To establish, developer, and operate a model Public Charter School for at-risk youth in Washington, D.C. and to enter into all contracts, leases, or transactions which are in whole or in part related to such activities." Since on or about August 13, 1996, Options PCS has had a charter agreement with the District to operate a public charter school.

9. Defendant Dr. Donna D. Montgomery, at all relevant times for this Complaint, has had her principal place of business in the District of Columbia. She has been the Chief Executive Officer of Defendant EES since at least April 17, 2012, she was the incorporator of EEMC in 2012, and she has served as President and CEO of Defendant EEMC since at least January 15, 2013. While she was serving in these positions and at the time she incorporated EEMC, and at all other relevant times, until July 1, 2013, she was also serving as the Executive Director and/or Chief Executive Officer of Options PCS.

10. Defendant Dr. David Cranford, at all relevant times for this Complaint, has had his principal place of business in the District of Columbia. He has been the Chief Operating Officer of Defendant EEMC since at least January 15, 2013. While he was serving in this

position and at all relevant times, until July 1, 2013, he was also serving as the Clinical Director and/or Chief Operating Officer of Options PCS.

11. Defendant Paul S. Dalton, at all relevant times for this Complaint, has had his principal place of business in the District of Columbia. He has been the General Counsel of Defendant EEMC and a Director of Defendant EES since at least January 15, 2013. While he was serving in these positions and at all relevant times, until July 1, 2013, he was also serving as the General Counsel and/or Provost of Options PCS.

12. Defendant J.C. Hayward, at all relevant times for this Complaint, has had her principal place of business in the District of Columbia. At all relevant times, Hayward was the Chair of the Board of Trustees of Options PCS. She was also the incorporator of Defendant EES in 2009.

13. Defendant Jeremy L. Williams, at all relevant times for this Complaint, has had his principal place of business in the District of Columbia. Williams was the chief financial officer of the District of Columbia Public Charter School Board ("PCSB") until August 2013, when he became the chief financial officer of Defendant EEMC. Without informing his then-employer PCSB, Williams also accepted a position on the Options PCS Board of Trustees' Finance Committee in February 2013.

14. Defendant Exceptional Education Management Corporation ("EEMC") is a for-profit Delaware corporation with its principal place of business at 601 13th Street, N.W., Suite 450, Washington, DC 20005. In 2012, Defendant Montgomery was the sole incorporator of EEMC, and she has owned and controlled the company since then. The company is an instrumentality of Montgomery and the individual Defendants Cranford and Dalton, who serve as EEMC's management team.

15. Defendant Exceptional Education Service, Inc. at Options Public Charter School ("EES") is a for-profit Delaware corporation with its principal place of business at 601 13th Street, N.W., Suite 450, Washington, DC 20005. EES was incorporated in 2009 by Defendant Hayward. The company has been owned and controlled by Defendant Montgomery.

Options PCS Is Established To Operate Public Charter School For At-Risk Students

16. Options PCS operates one of the oldest public charter schools in the District of Columbia. Since August 13, 1996, it has had a charter from the District to "provide a high-quality, unique educational experience for students at-risk of dropping out of school because they are underachieving, truant, or have behavioral problems." Pursuant to this charter agreement, Options PCS operates a public charter school that serves an at-risk student population. Options PCS has a main campus at 1375 E Street, N.E., and a secondary campus (Options Academy) at 702 15th Street, N.E., both in the District of Columbia.

17. As a public charter school, Options PCS receives public funds from the District in the form of per-pupil allocations. These District funds comprise a substantial majority of Options PCS's revenue in a given school year, with other District and federal funds supplying most of the remaining revenue. For instance, for SY 2012-2013, Options PCS's published budget projected total revenue as follows:

Per-Pupil Charter Payments (District funds)	\$3,631,050
Per-Pupil Facilities Allowance (District funds)	\$1,008,000
Per-Pupil Special Education ("SPED") Payments (District funds)	\$6,972,096
Per-Pupil Summer School Payments (District funds)	\$114,075
Federal Entitlements	\$340,000

Other Government Funding/Grants (includes District funds)	\$1,370,182
Non-Public Funding	\$27,600
Total Projected Revenue SY 2012-2013	\$13,463,003

Interlocking Management of Options PCS and the For-Profits EEMC and EES

18. During substantial periods of 2012-2013, key managers of Options PCS, while serving as officers or directors of Options PCS, simultaneously served as executive managers of the two for-profit Defendants, EEMC and EES, that contracted to provide services to Options PCS.

19. During 2012-2013, Defendant Dr. Donna Montgomery was the Executive Director of Options PCS. During this same period of time, she also was the Chief Executive Officer of and served on the management team of Defendants EEMC and EES, and was the incorporator of EEMC.

20. During 2012-2013, Defendant Dr. David Cranford was the Clinical Director for Options PCS. During this same period of time, he was also the Chief Operating Officer of Defendant EEMC and served on the management team of Defendants EEMC and EES.

21. During 2012-2013, Defendant Paul Dalton was the General Counsel/Provost of Options PCS. During this same period of time, he was also the General Counsel of Defendant EEMC and a Director of Defendant EES.

Pattern Of Self Dealing Between Options PCS And Individual Defendants

22. By early 2012, a pattern of self dealing with, and misuse of, Options PCS by the individual and corporate Defendants began to emerge.

23. For instance, on or about April 17, 2012, Options PCS made a \$159,000 loan to Defendant EES. Defendant Hayward, who was both the sole incorporator of EES and the chair of Option PCS's board, signed the loan agreement on behalf of Options PCS. Defendant Montgomery, who was both the Chief Executive Officer of EES and the Executive Director of Options PCS, signed the loan agreement on behalf of EES.

24. Additionally, on or about April 17, 2012, Options PCS entered into a "Contract for Medicaid Billing Services" with EES. Defendant Montgomery executed this contract on behalf of EES as the company's "Chief Executive Officer." As of that date, Montgomery was also the Executive Director of Options PCS. This contract provided that "EES will be paid Twenty-five (25%) of all amounts received from DC Medicaid per approved TCN [Transaction Control Number]"

25. Through June 30, 2013, Options PCS paid EES approximately \$449,000 for Medicaid billing services performed by, or under the direction of, Defendant Dalton and another individual. During the time period when EES was billing Options PCS for these Medicaid billing services, both Dalton and the other individual were employed by Options PCS.

Options PCS Enters Into Self-Dealing Transportation Agreement With EES

26. On September 14, 2012, Options PCS and EES entered into a "Transportation Services Agreement" for "Non-Public School Bus Transportation Services" for School Year ("SY") 2012-2013 and beyond. Defendant Hayward, who was both the sole incorporator of EES and the chair of Option PCS's board, signed the agreement on behalf of Options PCS. Defendant Montgomery, who was then the Executive Director of Options PCS, signed the agreement on behalf of EES as the company's "CEO."

27. The "Transportation Services Agreement" originally provided the following financial terms:

As compensation for the Services contemplated herein, on a monthly prorated basis Contractor [EES] will be paid as follows:

The total contract price to Options for the SY2012-2013 would be a gross amount of \$450,000.00 with the right to charge an additional \$100,000 if daily average ridership exceeds 150 students upon Options approval. The net cost to school will not exceed \$250,000, as balanced against monies received from Medicaid Billing for transportation services provided.

28. On May 17, 2013, Options PCS and EES entered into a "Supplemental Transportation Agreement." Defendant Montgomery executed this contract on behalf of EES as the company's "CEO." As of that date, Montgomery was also the Executive Director of Options PCS. Defendant Hayward executed this contract on behalf of Options PCS.

29. The "Supplemental Transportation Agreement" increased the base rate of the original "Transportation Services Agreement" from \$450,000 to \$750,000 for SY2012-2013.

30. Between September 2012 and June 2013, Options PCS paid EES at least \$981,250 under these Transportation Agreements for transportation services during SY2012-2013.

31. By comparison, during SY2011-2012, Options PCS paid its prior transportation services contractor, Deadwyler Transportation, approximately \$70,000 for transportation services.

Options PCS Projects Large Increase in District Funding In SY2012-2013

32. In a revised internal budget dated December 14, 2012, Options PCS projected that in SY2012-2013 it would receive an approximately \$2.8 million increase in District public school funding, an increase of about 25%, as compared to SY2011-2012.

33. The increased District funding in the December 14, 2012 budget was largely attributable to a projected increase in the allocation of Option PCS's students to a high disability level in SY2012-2013.

34. The District's Public School System pays public charter schools, such as Options PCS, additional per-pupil allotments based on the disability levels of the students with disabilities. These additional per-pupil allotments are lowest for students at Level 1 and highest for students at Level 4.

35. In its December 14, 2012 revised budget for SY2012-2013, Options PCS projected that it would receive additional per-pupil allotments, *i.e.*, additional District public school funding based on the disability levels of the students with disabilities, as follows:



Level 1	\$5,292
Level 2	\$7,390
Level 3	\$14,416
Level 4	\$28,284

36. In its December 14, 2012 revised budget for SY2012-2013, Options PCS projected and budgeted for a 42% increase in the number of students at Level 4, from 163 students in SY2011-2012 to 231 students in SY2012-2013.

37. As compared to SY2011-2012, the projected 42% increase in the number of Options PCS students at Level 4 in SY2012-2013 was disproportionately high compared to the projected 15% increase in the total number of students at Options PCS in SY2012-2013. According to these projections, 56% of all Options PCS students would be classified as Level 4 in SY2012-2013. This projected increase in Level 4 students in SY2012-2013 reversed the prior three-year downward trend in the proportion of Level 4 students at Options PCS. In SY2009-2010, about 57% of all students were classified as Level 4; in SY 2010-2011, about 53% of all students were classified as Level 4; and in SY2011-2012, about 45% of all students were classified as Level 4.

38. The levels of students with disabilities are generally determined through an evaluation process at their schools. Many of the students classified as Level 4 students at Options PCS in SY2012-2013 had been classified as Level 1, 2, or 3 students at Options PCS or another school in SY2011-2012, while few students classified as Level 4 students at Options PCS or another school in SY2011-2012 were classified below Level 4 at Options PCS in SY2012-2013.

39. The projected 42% increase in the number of Options PCS students at Level 4 accounts for most of the \$2.8 million increase in District public school funding that, in December 2012, Options PCS was budgeting for SY 2012-2013.

Options PCS Enters Into Self-Dealing Management Agreement With EEMC

40. In early 2013, when three of Options PCS's top executives were acting simultaneously as the top three executives of EEMC, Options PCS entered into a Management Agreement with EEMC that provided for Options PCS to pay EEMC at least \$2.8 million for management services in SY 2013-2014.

41. On January 15, 2013, Defendant EEMC submitted a "Technical Proposal to provide School Management and Medicaid Billing" to Options PCS (hereafter, the "Management Proposal"). The cover letter for this proposal was signed by Defendant Montgomery as "President/CEO" of EEMC. The Management Proposal identified the EEMC "Management Team" as including: (i) Defendant Montgomery as "President/CEO," (ii) Defendant Cranford as "COO," and (iii) Defendant Dalton as "General Counsel & Director of EES." As of the date of this proposal, each member of the proposal's EEMC management team was employed as an officer or director of Options PSC.

42. In the Management Proposal, EEMC admitted that "section §38-1802.04(c)(1) of the DC Code [the District's School Reform Act] requires that DC public charter schools utilize a competitive bidding process for any procurement contract \$25,000 or more." The Management Proposal also admitted that the requirement for a public charter school to "Bid competitively all contracts" only excludes "management contracts submitted as part of the original charter application (All other management contracts are subject to bidding requirements.)"

43. No proposed management agreement with EEMC was identified in the original or the renewal charter agreement between Options PCS and the District.

44. In response to the Management Proposal, on February 25, 2013, Options PCS and EEMC entered into a five-year "Management Agreement," commencing with SY 2013-2014.

45. The Management Agreement was not the product of a *bona fide* competitive procurement process.

46. Nevertheless, Defendant Hayward, as chair of the Options PCS's board, signed the Management Agreement on behalf of Options PCS. Defendant Montgomery signed the Management Agreement on behalf of EEMC, as its "Chief Executive Officer." As of February 25, 2013, Montgomery was also the Executive Director of Options PCS.

47. The Management Agreement obligated Options PCS to pay EEMC a "Management Fee" of \$2,801,721 for SY2013-2014. A prepayment of \$500,000 of the "Management Fee" was due as of the date of execution of the Management Agreement. "Subsequent payments equal to twenty five percent (25%) of the total fees due EEMC for SY 2013-2014 shall be paid October 15, 2013, January 15, 2014, April 15, 2014 & June 15, 2014."

Management Agreement, Section 8.1(c). A provision in the Management Agreement deducting the \$500,000 prepayment from Options PSC's final June 15, 2014 quarterly payment was later crossed out with the approval (and initials) of Defendants Hayward and Montgomery.

48. On February 28, 2013, Options PCS made the \$500,000 prepayment under the Management Agreement for SY 2013-2014 to EEMC.

49. On August 1, 2013, Options PCS made a \$954,000 payment to EEMC under the Management Agreement. The August 1, 2013 payment included the October 15, 2013 quarterly payment; however, the October 15, 2013 payment was not due for another two-and-a-half months, and the early August 1, 2013 payment exceeded the payment due on October 15, 2013 by approximately \$250,000. Options PCS made the \$954,000 payment, on top of the \$500,000 prepayment, prior to receiving any documentation of the services that EEMC purportedly provided to Options PCS.

Options PCS Pays To Rent And Furnish Offices For EEMC And EES

50. During SY2012-2013, the main campus for Options PCS was located at 1375 E Street, N.E., Washington, D.C. On January 28, 2013, despite being located in the city's Northeast quadrant, Options PCS sublet 4,389 square feet of office space in the city's Northwest quadrant, at 601 13th Street, N.W., from the Fritts Group, LLC (the "601 13th Street lease"). Options PCS had no need for office space on 13th Street, N.W.

51. The 601 13th Street lease was signed on behalf of Options PCS by Defendant Cranford, as "COO," and by Defendant Montgomery, as "CEO."

52. Options PCS's purported reason for signing the 601 13th Street lease was to secure space for its administrative offices. However, beginning not later than January 15, 2013, thirteen days before the signing of the lease, Defendant EEMC was identifying 601 13th Street N.W. as its own office address.

53. During SY2012-2013, more than \$200,000 of Options PCS's funds were spent in connection with the 601 13th Street lease, including for the following expenses: (i) a security deposit of \$54,000 in or about January 2013, (ii) \$13,020 in furniture purchased for the space, and (iii) \$148,530 in rent and other expenses up through August 2013.

54. Throughout SY2012-2013 and continuing to the present, EEMC and EES have operated out of the 601 13th Street lease location, as confirmed by information submitted to the District by EEMC on May 21, 2013.

55. On July 1, 2013, when the individual Defendants resigned from Options PCS, Options PCS ceased to have any presence at the 601 13th Street lease location. From that time through the present, the 601 13th Street lease location has been used solely as the corporate offices of Defendants EEMC and EES.

Options PCS Pays Exorbitant Bonuses To Individual Defendants

56. During SY2012-2013, Options PCS paid the individual Defendants Montgomery, Cranford and Dalton substantial bonuses that were unreasonable and inconsistent with the nonprofit purpose of Options PCS.

57. As of 2013, Options PCS was paying Defendant Montgomery an annual base salary of about \$240,000. In or about March 2013, on top of her base salary, Montgomery received a ten-year anniversary bonus from Options PCS in the amount of \$120,200. The size of the anniversary bonus – one-half her annual salary – had been approved in mid-2012 by Defendant Hayward, as chair of Options PCS's board. Montgomery's ten-year anniversary with Options PCS would not have occurred until about August 18, 2013, by which time Montgomery had resigned from Options PCS. Options PCS also paid Montgomery a \$40,000 holiday bonus in December 2012, and an additional bonus of \$25,000 in or about May 2013. Thus, Montgomery received bonuses from Options PCS in SY2012-2013 totaling at least \$185,000, on top of her \$240,000 base salary. Her salary and bonuses from Options PCS during a one-year period – at least \$425,000 combined – totaled more than the salary of the President of the United States and more than twice the salary of the Mayor of the District of Columbia, even though Options PCS is a small school whose revenue comes mostly from public school funding.

58. In or about March 2013, Defendant Cranford received a ten-year anniversary bonus from Options PCS in the amount of \$83,546. Cranford's ten-year anniversary with Options PCS would not have occurred until on or about September 1, 2014, by which time Cranford had resigned from Options PCS. Options PCS also paid Cranford a \$30,000 holiday bonuses in December 2012, and an additional bonus of \$20,000 in or about May 2013. In total, Cranford received bonuses in SY2012-2013 totaling at least \$133,000 from Options PCS.

59. During SY2012-2013, Options PCS paid Defendant Dalton a \$30,000 holiday bonus in December 2012, and an additional bonus of \$20,000 in or about May 2013.

60. On July 1, 2013, Defendants Montgomery, Cranford and Dalton resigned from their positions at Defendant Options PCS. Since that time, these three individuals have comprised the management team of EEMC and EES.

Options PCS and EEMC Evade School Board Oversight

61. While still the chief financial officer of the District of Columbia Public Charter School Board ("PCSB"), which is the District agency that oversees public charter schools, Defendant Williams became a member of the Options PCS Board of Trustees' Finance Committee on February 25, 2013, and began acting as a business advisor to EEMC not later than March 2013. To assist EEMC, Williams regularly forwarded confidential, internal PCSB emails to Defendants Montgomery, Cranford and Dalton, including emails alerting those Defendants to a surprise inspection of Options PCS planned by PCSB staff.

62. Shortly before his employment with PCSB ended and his job as chief financial officer of EEMC began, Defendant Williams assisted EEMC by surreptitiously inserting its Management Agreement (with Options PCS) onto the PCSB's "reviewed contracts" list for its August 2013 board meeting. By doing so, Williams created the false impression that the Management Agreement had already been reviewed by the PCBS staff. In fact, the PCBS staff, other than Williams himself, had not had an opportunity to review the Management Agreement before it was added to the "reviewed contracts" list. Had it reviewed the Management Agreement prior to the August 2013 board meeting, the PCSB staff could have alerted the PCSB to the fact that the Management Agreement raised issues as to possible self-dealing.

63. On or about August 19, 2013, a senior PCSB official learned from Defendant Dalton that most of Options PCS's management team had resigned from the school and joined

EEMC. The official inquired into possible violations of conflict-of-interest and disclosure standards and soon learned of alleged financial mismanagement and self-dealing at Options PCS. Within days, the PCSB arranged for an independent accounting firm to conduct a forensic audit of Options PCS, and notified the District's Attorney General of alleged misconduct by Options PCS's management. Since then, the PCSB has authorized the independent accounting firm to share the results of its preliminary work with the District's Attorney General.

Count I
Exceeding Or Abusing Authority Conferred By Law
(D.C. Code § 29-412.20(a)(1)(B))

64. The District repeats and realleges Paragraphs 1 through 63 as if set forth fully in this Paragraph.

65. Defendant Options PCS, in concert with the Defendants, has exceeded or abused, and is continuing to exceed or abuse, the authority conferred upon it by law, in violation of the District's nonprofit corporations act.

66. As a result, funds of Options PCS have been diverted from the lawful purposes of providing educational and other services for at-risk youth and have been used instead to benefit and enrich Defendants Montgomery, Cranford, Dalton, EEMC, and EES.

Count II
Continuing to Act Contrary to Nonprofit Purposes
(D.C. Code § 29-412.20(a)(1)(C))

67. The District repeats and realleges Paragraphs 1 through 63 as if set forth fully in this Paragraph.

68. Defendant Options PCS, in concert with the Defendants, has continued to act contrary to its nonprofit purposes, in violation of the District's nonprofit corporations act.

69. As a result, funds of Options PCS have been diverted from the nonprofit purposes of providing educational and other services for at-risk youth and have been used instead to benefit and enrich Defendants Montgomery, Cranford, Dalton, EEMC, and EES.

Prayer for Relief


WHEREFORE, the District requests that this Court:

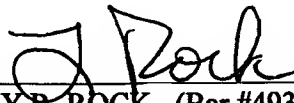
- a. Place Defendant Options PCS in receivership;
- b. Freeze the assets of Defendants Montgomery, Cranford, Dalton, EEMC and EES, and impose a constructive trust over the funds paid by Options PCS to Defendants EEMC and EES in 2012-2013 and over the bonuses paid by Options PCS to the individual Defendants in 2012-2013;
- c. Enjoin further payments from Options PCS to the individual Defendants;
- d. Rescind contracts between Defendant Options PCS and the corporate Defendants EEMC and EES, and enjoin further payments from Options PCS to the Defendants EEMC and EES.
- e. Order such other relief as the Court determines to be just and proper.

Respectfully submitted,

IRVIN B. NATHAN
Attorney General for the District of Columbia

ELLEN A. EFROS
Deputy Attorney General
Public Interest Division


BENNETT RUSHKOFF (Bar #386925)
Chief, Public Advocacy Section
(202) 727-5173
bennett.rushkoff@dc.gov



JIMMY R. ROCK (Bar #493521)
Assistant Attorney General
Office of the Attorney General
441 Fourth Street, N.W., Suite 600-S
Washington, DC 20001

Date: October 1, 2013

Attorneys for the District of Columbia